

Retiree News

& Notes

A Quarterly Newsletter for Retirees from the State Retirement & Pension System of Maryland

A Message from the Executive Director

As I have assumed the responsibilities of Executive Director, the support I have received from Chairman Schaefer, Vice Chairman Kopp and the entire Board of Trustees has been gratifying and yet sobering. This is an immensely important Agency with a critical mission materially affecting the lives of hundreds of thousands of Marylanders whose careers were dedicated to public service. This is a charge I welcome; yet I realize the success of our mission is dependent on the support and professionalism of each and every member of the Agency staff.



We have certainly had our issues over the past several years, but as I visit various units in the Agency, I sense a new confidence and optimism. Moving to the top of the class in the pension management and investment field will be a challenge but an obtainable one if we all work together. There are no short cuts to performance excellence and we must welcome accountability for our own part of the overall mission. I look forward to a rewarding relationship with the Board of Trustees, the Agency staff, retirees, and members in meeting our mission goals.

Sincerely,

Thomas K. Lee
Executive Director

Dear Retiree:

You may be aware of the Federal indictments of a former money manager employed by the Retirement System and one of our former Board members. Obviously, this is of great concern to the Board and staff. While this matter is under active investigation, we are unable to comment on specific issues. However, we want to assure you that our most critical mission is to uphold our fiduciary responsibilities and maintain your full and complete confidence.

These are challenging times. Since assuming our roles as Chairman and Vice-Chairman, it has been our intent to promote open and clear communication with our membership. We are determined to move firmly to assure your full confidence that you will receive the benefits and service that you have earned and deserve. Your benefits are safe and secure. You will continue to receive your check.

To some, these indictments may be seen as a mark against the entire Board. This should not be so. The Board of Trustees is a diverse, dedicated, highly experienced and educated group of men and women, accountable to a common standard of excellence. Their dedication to you and their devotion to uncompensated public service is a reflection of their commitment to the System's mission.

As your Chairman and Vice-Chairman, we have the combined experience of over 80 years in elected office, many in the top levels of state government. We are accountable to you. We will require all personnel, in whatever capacity they serve the Agency, to reflect only the highest levels of honesty, integrity and competence which we have aspired to in our own roles as public servants.

We would ask that you consider carefully what we are doing to restructure the System and reserve judgment as the Board and Agency's new management team implements its new policies. A number of changes in investment management, personnel and procedures are already underway.

On the advice of Ennis Knupp & Associates, our nationally respected investment consultant, we have begun a strategic program of asset allocation, including regular rebalancing of asset classes; based on prudent investment principles. We are instituting new internal standards and processes to ensure

(Continued on page 4)

How employment affects your retirement check

For retirees of the State Retirement and Pension System (SRPS), certain types of employment after retirement are subject to an earnings limit. Reemployment rules discussed in this article apply for retirees of the following systems:

- Employees' and Teachers' Retirement,
- Employees' and Teachers' Contributory and Non-Contributory Pension
- Correctional Officers' Retirement and
- Local Fire and Police System.

This text pertains to the above systems only. Special rules apply for retired judges, legislators, State Police and law enforcement officers. Contact the Retirement Agency for details.

Earnings limits

If your compensation from employment after retirement exceeds your earnings limit, your retirement or pension benefit may be reduced. Prior to accepting work with *any* participating employer, SRPS retirees are required by law to notify the Retirement Agency in writing of their anticipated earnings.

Who is subject to an earnings limitation?

A service retiree or an early service retiree is subject to an earnings limit if he or she returns to work for the *same* employer (i.e., the retiree's last participating employer before final separation from employment). All units of Maryland State government, including the University of Maryland System, are considered to be *one employer* under these reemployment rules.

Early service retirees who have been retired early for fewer than 12 months are subject to an earnings limit if they return to work for *any* participating employer. The earnings limit may then be lifted, depending on the employer, once the retirees have been retired for 12 months.

Ordinary disability retirees who accept employment with *any* em-

ployer are subject to an earnings limit until they reach normal retirement age for their system.

Earnings limit exemptions

Retirees from the following systems are exempt from earnings limits if they meet the conditions listed. Service retirees from these systems are exempt from earnings limits after 10 full calendar years of retirement.

Employees' and Teachers' Systems

Service retirees are exempt from an earnings limit if they:

- Receive a service allowance, or if they retired early and have been retired early at least 12 months *and*
- Accept work with an employer *other than* their employer at the time of their last separation from participating employment.

Remember: All units of Maryland State government, including the University of Maryland System, are considered to be *one employer*.

Employees' Systems only

Service retirees who accept *contractual* employment with the Department of Health and Mental Hygiene are exempt from earnings limits if they are reemployed as health care practitioners at eligible state facilities, chronic disease centers or county boards of health until June 30, 2004.

Teachers' Systems only

Retired teachers and principals who return to work as teachers or principals in certain Maryland public schools or subject areas are exempt from earnings limits until June 30, 2004. (This exemption applies only for service retirees and early retirees who have been retired early for 12 months.)

Correctional Officers' System

Service retirees are exempt from an earnings limit if they accept work with an employer *other than* a unit of Maryland State government.

Local Fire and Police System

Service retirees who return to work for an employer *other than* their employer at the time of their

last separation from participating employment are exempt from an earnings limit.

Other exemptions

As in previous years, no earnings limits apply for service retirees who are self-employed or who work for nonparticipating employers (i.e., those that do not offer SRPS benefits). Retirees who accepted an accidental disability retirement also are not subject to an earnings limitation. (See "Certain employment" on page 3 for more information.)

What is my earnings limitation?

For a service retiree, the earnings limit is equal to the difference between his or her average final salary (AFS) at retirement and the Basic Allowance annualized.

Earnings Limit = AFS - Basic Allowance annualized

For a person who accepts an ordinary disability retirement, the earnings limit is the difference between his or her average final salary at retirement and basic allowance annualized plus \$5,000.

Earnings Limit = (AFS - Basic Allowance annualized) + \$5,000

These figures are listed on the Notice of Retirement Allowance sent to each retiree upon retirement.

Remember: the **Basic Allowance annualized** is the maximum benefit available to a retiree. This figure is used in the calculation of earnings limits even if you choose to receive your monthly payment allowance under another option. 🌟

Participating employers – at a glance

- ☐ Maryland State agencies
- ☐ University of Maryland System
- ☐ public schools and libraries
- ☐ community colleges
- ☐ counties, cities, towns and other governmental units that offer SRPS benefits

Reemployment at a Glance - Employees' and Teachers' Systems Only

Type of Employment	Service Retirement	Ordinary Disability	Accidental Disability
Private industry, federal government, out-of-state and other non-participating employers or self-employment	1	3	1
Employment with a participating employer other than your employer at the time of your last separation from participating employment	1	3*	1*
Employment with the same participating employer (i.e., your last participating employer before your final separation from employment)	2	3*	1*
Retired teacher or principal in eligible employment under §22-406 or §23-407 of the State Personnel and Pensions Article	1	Not Applicable	Not Applicable

Key to Numbers in the Table

1 No salary restrictions apply. You continue to receive your full monthly SRPS allowance regardless of your employment income.

Exception - Early service retirees who return to work for a **participating** employer have an earnings limit until they have been retired 12 months.

2 Your retirement allowance is reduced one dollar for every dollar you earn in excess of your limit.
Exception - Members who retire with an average final salary (AFS) of less than \$10,000 are exempt from the salary limit.

Exception - The earnings limit is waived after 10 full calendar years of retirement. With the exception of a January 1 retirement date, the 10-year period begins on January 1 of the year following the year of retirement.

Exception - Persons who retired under the 16-year rule should contact the Retirement Agency for reemployment policies.

Exception - A retiree who is elected to office as a local official or constitutional officer of a participating municipal corporation continues to receive his or her state pension while earning a salary.

3 Your retirement allowance is reduced one dollar for every two dollars you earn in excess of your limit. After 10 years of retirement, the reduction is one dollar for every five dollars you earn more than the limit. Salary restrictions are lifted on January 1 following the year you reach normal retirement age for your system.

* Certain employment may cause a disability retiree's allowance to be suspended. Review the article printed below for details. 🌟

Certain employment may cause suspension of disability benefit

A retiree who retired on a disability retirement with a retirement date on or after July 1, 1998 is subject to suspension of the benefit allowance under certain circumstances.

A disability retirees' monthly allowance may be temporarily suspended if the retiree:

- Is *not* eligible to receive a normal service retirement through either years of service or age **and**
- Is employed by a participating employer at an annual compensation that is at least equal to his or her average final compensation.

If the retiree's allowance is suspended, it will be reinstated on the first day of the month following the month in which the retiree ceased employment with the participating employer. The retiree's allowance at the time of reinstatement will be adjusted to reflect any accumulated cost-of-living adjustments that may have been made during the period of suspension.

For more information, contact a retirement benefits counselor at 410-625-5555 or toll free at 1-800-492-5909. 🌟

Dear Retiree *(continued from page 1)*

more effective oversight of managers. Investment managers who have failed to perform up to the standard set for them have been terminated in favor of those who offer better performance.

Cortex, an international management consultant firm, has been in the process of conducting a fiduciary audit of the System administration and Board procedures. The Cortex recommendations concerning the Board's governance procedures and standards will be presented to the Board later this month.

Internally, the Agency has a new Executive Director whose aggressive and knowledgeable management style as former Maryland Deputy Budget Secretary has earned him the highest level of respect. Interviews are now being conducted for a new Chief Investment Officer.

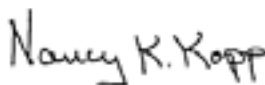
The Agency has also determined to participate more aggressively in securities class action lawsuits (Royal Ahold) and to pursue other legal remedies when investment losses have been incurred through deceit or fraud. Our action in pursuing claims against Alan Bond for his 'cherry picking' scheme resulted in a \$2.9 million restitution to the System's trust fund.

As your Chairs, we want to assure you, retirees and beneficiaries, that your peace of mind is of paramount importance to the Trustees. This Agency, because of its mission, its interaction with the investment community and the substantial financial resources involved, has the potential and, indeed, the obligation to become a leader among pension systems and to be one of the most prestigious agencies in state government. It is our intent to achieve this level of professionalism. Nothing less will be tolerated.

Sincerely,



William Donald Schaefer



Nancy K. Kopp

Visit SRA



www.sra.state.md.us

Review back issues of
Retiree News & Notes
on the State Retirement
Agency Web site!

Retiree News is published by the
State Retirement Agency
120 East Baltimore Street
Baltimore, Maryland 21202-6700.
(410) 625-5555 / 1-800-492-5909
www.sra.state.md.us

Vol. 21, No. 4 • Summer 2003
Benjamin Robb, Editor

Board of Trustees:

William Donald Schaefer, Chairman
Nancy K. Kopp, Vice Chairman
Thomas K. Lee, Secretary

Ali A. Alemi	Nancy S. Grasmick
William D. Brown	David B. Hamilton
Arthur N. Caple, Jr.	Morris L. Krome
James C. DiPaula	Carl D. Lancaster



Printed on recycled paper

PRESORTED
FIRST CLASS MAIL
U.S. POSTAGE
PAID
BALTIMORE, MD
PERMIT NO. 7916

Retiree News
State Retirement Agency
120 East Baltimore Street
Baltimore, MD 21202-6700